

PAW PAW TOWNSHIP

**Report on Audit of Financial Statements
For the Year Ended
June 30, 2008**

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name Paw Paw Township	County Van Buren	Type Township	MuniCode 80-14
Opinion Date-Use Calendar 12-3-08	Audit Submitted-Use Calendar 12-16-08	Fiscal Year End Month June	Fiscal Year 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	? <input type="text"/>
General Fund Expenditure:	? <input type="text"/>
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? <input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	? <input type="text"/>

See Report

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name) William	Last Name Cutting	Ten Digit License Number 1101001938		
CPA Street Address 303 Paw Paw St.	City Paw Paw	State MI	Zip Code 49079	Telephone 269-657-4720
CPA Firm Name Cutting & Cutting, PC	Unit's Street Address P.O. Box 20	Unit's City Paw Paw	Unit's Zip 49079	

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CERTIFIED PUBLIC ACCOUNTANTS
CENTER BUILDING
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WILLIAM A. CUTTING
BRUCE T. CUTTING

TELEPHONE
269-657-4720

December 3, 2008

INDEPENDENT AUDITOR'S REPORT

Paw Paw Township Board
Paw Paw, Michigan 49079

We have audited the accompanying general purpose financial statements of Paw Paw Township as of June 30, 2008, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Paw Paw Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Paw Paw Township, as of June 30, 2008, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Cutting & Cutting, P.C.

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
PAW PAW TOWNSHIP
June 30, 2008

	General	Special Revenue	Enterprise	Trust & Agency	General Fixed Assets	Total (Memorandum Only)
Assets						
Cash and equivalents	\$ 290,100	\$ 363,692	\$ 263,692	\$ 13,346		\$ 930,830
Investments	302,818	100,000	150,000	23,260		576,078
Accounts receivable	87,227		40,729			127,956
Deferred revenue	198,686					198,686
Interest receivable and other	1,828					1,828
Due from other funds	12,245	58,682	1,600			72,527
Prepaid expenditures	892,904	522,374	456,021	36,606		1,907,905
Total Current Assets						
Land					\$ 85,126	85,126
Building, equipment, etc.			3,203,002		1,054,099	4,257,101
Allowance for depreciation			(1,575,571)			(1,575,571)
Special assessments receivable			10,069			10,069
Total Assets	\$ 892,904	\$ 522,374	\$ 2,093,521	\$ 36,606	\$ 1,139,225	\$ 4,684,630
Liabilities and Fund Equity						
Accounts payable	\$ 58,340	\$ 6,667	\$ 20,117	\$ 11,518		\$ 85,124
Undistributed receipts				1,828		11,518
Due to other funds						1,828
Total Current Liabilities	58,340	6,667	20,117	13,346		98,470
Contracts payable	195,104					195,104
Deferred revenue	3,582					3,582
Contributions from other governments			862,077			862,077
Contributions from customers			1,529,911			1,529,911
Contributions from other funds			150,000			150,000
Fund balance (expendable)	635,878	515,707				1,151,585
Non-expendable fund balance				23,260		23,260
Retained earnings (deficit)			(468,584)			(468,584)
Investment in general fixed assets					\$ 1,139,225	1,139,225
Total Fund Equity	635,878	515,707	2,073,404	23,260	1,139,225	4,387,474
Total Liabilities and Fund Equity	\$ 892,904	\$ 522,374	\$ 2,093,521	\$ 36,606	\$ 1,139,225	\$ 4,684,630

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUND
PAW PAW TOWNSHIP
Year ended June 30, 2008

	<u>Governmental Fund Type</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues				
Taxes	\$ 317,357	\$ 214,353		\$ 531,710
Licenses and permits	21,074			21,074
Intergovernmental revenues	269,206	1,665		270,871
Charges for services	17,001	25,930		42,931
Interest and miscellaneous	<u>52,673</u>	<u>14,365</u>	\$ <u>46</u>	<u>67,084</u>
	677,311	256,313	46	933,670
Expenditures				
General government	396,949		5,416	402,365
Public safety	646	135,275		135,921
Highways and streets	112,591			112,591
Community development	<u>14,332</u>	<u> </u>	<u> </u>	<u>14,332</u>
	<u>524,518</u>	<u>135,275</u>	<u>5,416</u>	<u>665,209</u>
Excess of revenues over expenditures	152,793	121,038	(5,370)	268,461
Other financing sources and uses				
Transfers in	1,728		69,052	70,780
Transfers out	<u>(69,052)</u>		<u> </u>	<u>(69,052)</u>
	<u>(67,324)</u>		<u>69,052</u>	<u>1,728</u>
Excess of revenues and other sources over expenditures and other uses	85,469	121,038	63,682	270,189
Beginning fund balance	<u>550,409</u>	<u>394,669</u>	<u>(63,682)</u>	<u>881,396</u>
Ending fund balance	\$ <u>635,878</u>	\$ <u>515,707</u>	\$ <u>-0-</u>	\$ <u>1,151,585</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-
GENERAL AND SPECIAL REVENUE FUND TYPES

PAW PAW TOWNSHIP

Year ended June 30, 2008

	<u>General Fund</u>		<u>Variance Favorable (Unfavorable)</u>		<u>Special Revenue Funds</u>		<u>Variance Favorable (Unfavorable)</u>	
	<u>Amended Budget</u>	<u>Actual</u>			<u>Budget</u>	<u>Actual</u>		
Revenues								
Taxes	\$ 305,430	\$ 317,357	\$ 11,927		\$ 210,000	\$ 214,353	\$ 4,353	
Licenses and permits	22,500	21,074	(1,426)					
Intergovernmental	254,000	269,206	15,206		1,600	1,665	65	
Charges for services	21,100	17,001	(4,099)		26,250	25,930	(320)	
Interest and miscellaneous	31,100	52,673	21,673		18,040	14,365	(3,675)	
	634,030	677,311	43,281		255,890	256,313	423	
Expenditures								
General government	405,135	396,949	8,186					
Public safety	650	646	4		146,620	135,275	11,345	
Public works	242,750	112,591	130,159					
Community development	24,970	14,332	10,638		3,000		3,000	
	673,505	524,518	148,987		149,620	135,275	14,345	
Excess of revenues over expenditures	(39,475)	152,793	192,268		106,270	121,038	14,768	
Other financing sources (uses)								
Transfers in		1,728	1,728					
Transfers out	(70,000)	(69,052)	948					
	(70,000)	(67,324)	2,676					
Excess of revenues and other sources over expenditures and other uses								
	\$ (109,475)	85,469	\$ 194,944		\$ 106,270	121,038	\$ 14,768	
Beginning fund balance		550,409				394,669		
Ending fund balance		\$ 635,878				\$ 515,707		

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
PAW PAW TOWNSHIP
June 30, 2008

1. Summary of Significant Accounting Policies

A. Reporting Entity

In accordance with generally accepted accounting principles and Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely presented component unit in the Township's financial statements.

B. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - This Fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

The Township prepares a budget and a budget hearing is held. The budget is adopted at the June meeting for the next fiscal year. The budget is amended from time to time when necessary by the Township Board.

The Township exceeded the appropriated amount as shown on the budget comparison statement on page 14.

F. Total Columns on Combined Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

2. Property Tax

The Township taxes are levied and become a lien on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

The 2007 taxable valuation was \$209,952,710 (real) and \$18,947,800 (personal) for a total of \$228,900,510. The Township levied .836 mill for operating purposes on the total taxable valuation and 1.0 mill on the real taxable valuation for fire protection.

In the summer, the Township also collects the State Education Tax and the Village of Paw Paw Tax.

3. Depreciation

Proprietary fund assets are capitalized and depreciated over their estimated useful lives using the straight-line method.

A summary of proprietary fund type property, plant and equipment at June 30, 2008 follows:

	<u>Sewer Fund</u>	<u>Depreciable Life-years</u>	<u>Depreciation for Period</u>
Sewer equipment	\$ 539,289	10-20	\$ 8,787
Office equipment	258	10	- 0 -
Sewer system	<u>2,663,455</u>	50	<u>54,109</u>
	3,203,002		\$ <u>62,896</u>
Less accumulated depreciation	<u>1,575,571</u>		
	<u>\$ 1,627,431</u>		

4. Surplus Funds

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The township does not have any policies relating to credit, interest rate or foreign currency risks.

The Township's deposits and investments are in accordance with statutory authority.

5. Cash and Investments

The Township maintains deposits in four local financial institutions. The deposits are in checking accounts, money market savings, or certificates of deposit. Certain of the deposits are certificates of deposit with a maturity greater than three months. These deposits have been presented as investments for financial reporting purposes.

<u>Deposits</u>	<u>Bank</u>	<u>Book</u>
Insured (FDIC)	\$ 502,818	\$ 502,818
Uninsured	<u>990,842</u>	<u>1,003,640</u>
	1,493,660	1,506,458
Petty Cash on Hand	<u> </u>	<u>450</u>
Cash and cash equivalent	\$ <u>1,493,660</u>	\$ <u>1,506,908</u>

6. EMPLOYEES' RETIREMENT SYSTEM--DEFINED CONTRIBUTION

Plan Description

The Township has a defined contribution pension plan covering most elected members of the Township Board, the Deputy Treasurer and Deputy Clerk. This benefit is an insurance-type plan administered under the provisions of Section 401(a) of the Internal Revenue Code.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The plan requires the employer to contribute fourteen percent of the participating employee's gross wages, with immediate vesting. There is also a contract charge of 6 percent plus a participant fee of \$30 per employee covered.

During the period the Township's required and actual contribution amounted to \$12,987, which was fourteen percent of its current period covered payroll of \$92,764 out of a total payroll of \$102,207. The plan is funded through the John Hancock Life Insurance Company and had the following activity since the last report.

Balance, June 30, 2007	\$ 40,901
Add: Contributions	12,987
Investment gains and (losses)	<u>(4,412)</u>
	8,575
Less: Withdrawals	<u>-0-</u>
Balance, June 30, 2008	\$ <u>49,476</u>

7. Construction Activity

During the year ended June 30, 2006, the Township Board approved a construction project to remodel and expand the township hall at the current site. Construction has been completed and the Township has incurred \$826,407 in costs on this project.

8. At the end of the year under audit, the following funds had a deficit in fund balance or retained earnings in the amounts shown.

Sewer Fund \$ 468,584

9. A summary of changes in general fixed assets follows:

	Balance <u>June 30, 2007</u>	(Eliminations) <u>Additions</u>	Balance <u>June 30, 2008</u>
Assets			
Land	\$ 85,126		\$ 85,126
Land improvements	28,760		28,760
Building	84,885	\$ 826,407	911,292
Office furniture and fixtures	<u>110,105</u>	<u>3,942</u>	<u>114,047</u>
	\$ <u>308,876</u>	\$ <u>830,349</u>	\$ <u>1,139,225</u>

10. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Limits range from \$1,500 to \$2,000,000 based on the particular coverage.

11. Joint Venture

The Township is a member of the Paw Paw Fire Department Board, which is a joint venture along with the townships of Antwerp, Alma and Waverly and the Village of Paw Paw. Board members are appointed by each participating unit. The department was formed to jointly provide fire protection services for the participating units. During the year ended June 30, 2008, the Township contributed \$111,078 as its proportionate share of the Department's costs. Audited financial statements for the Department can be obtained from the Treasurer of the Department.

12. Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General		
Cemetery Trust Fund	\$ 1,728	
Current Tax Fund	100	
Cemetery Trust Fund		
General		\$ 1,728
Current Tax Fund		
General Fund		100

COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS
PAW PAW TOWNSHIP
June 30, 2008

	<u>Road Improvement</u>	<u>Fire</u>	<u>Liquor Law Enforcement</u>	<u>Building Inspection</u>	<u>Total</u>
Assets					
Cash and equivalents	\$ 59,081	\$ 283,369	\$ 11,266	\$ 9,976	\$ 363,692
Investments	100,000				100,000
Prepaid fire protection		<u>58,682</u>			<u>58,682</u>
	<u>\$ 159,081</u>	<u>\$ 342,051</u>	<u>\$ 11,266</u>	<u>\$ 9,976</u>	<u>\$ 522,374</u>
Liabilities and Fund Balance					
Accounts payable		\$ <u>6,667</u>			\$ <u>6,667</u>
Total Liabilities		6,667			6,667
Fund balance	<u>\$ 159,081</u>	<u>335,384</u>	<u>\$ 11,266</u>	<u>\$ 9,976</u>	<u>515,707</u>
	<u>\$ 159,081</u>	<u>\$ 342,051</u>	<u>\$ 11,266</u>	<u>\$ 9,976</u>	<u>\$ 522,374</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended June 30, 2008

Revenues					
Taxes		\$ 214,353			\$ 214,353
Intergovernmental			\$ 1,665		1,665
Fees				\$ 25,930	25,930
Interest income	<u>\$ 6,751</u>	<u>6,857</u>	<u>409</u>	<u>348</u>	<u>14,365</u>
	6,751	221,210	2,074	26,278	256,313
Expenditures					
Public safety		<u>111,078</u>		<u>24,197</u>	<u>135,275</u>
Excess of revenues over expenditures	6,751	110,132	2,074	2,081	121,038
Beginning fund balance	<u>152,330</u>	<u>225,252</u>	<u>9,192</u>	<u>7,895</u>	<u>394,669</u>
Ending fund balance	<u>\$ 159,081</u>	<u>\$ 335,384</u>	<u>\$ 11,266</u>	<u>\$ 9,976</u>	<u>\$ 515,707</u>

COMBINING BALANCE SHEET-TRUST AND AGENCY FUNDS
PAW PAW TOWNSHIP
June 30, 2008

	Trust and <u>Agency</u>	Current <u>Tax</u>	Cemetery <u>Trust</u>	<u>Total</u>
Assets				
Cash and equivalents	\$ 11,518	\$ 100	\$ 1,728	\$ 13,346
Investments	<u> </u>	<u> </u>	<u>23,260</u>	<u>23,260</u>
	\$ <u>11,518</u>	\$ <u>100</u>	\$ <u>24,988</u>	\$ <u>36,606</u>

Liabilities and Fund Balance				
Due to other funds		\$ 100	\$ 1,728	\$ 1,828
Undistributed receipts	\$ 11,518			11,518
Non-expendable fund balance			23,260	23,260
Expendable fund balance	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ <u>11,518</u>	\$ <u>100</u>	\$ <u>24,988</u>	\$ <u>36,606</u>

BALANCE SHEET
GENERAL FUND
PAW PAW TOWNSHIP
June 30

	<u>2008</u>	<u>2007</u>
Assets		
Cash and equivalents	\$ 290,100	\$ 76,352
Investments	302,818	402,818
Accounts receivable	426	11,051
Deferred receivable	198,686	252,946
Due from the State of Michigan	86,801	82,582
Due from other funds	1,828	33,376
Prepaid expense	<u>12,245</u>	<u> </u>
	\$ <u>892,904</u>	\$ <u>859,125</u>
 Liabilities and Fund Balance		
Accounts payable	\$ <u>58,340</u>	\$ <u>55,770</u>
Current liabilities	58,340	55,770
Contracts payable	195,104	248,371
Deferred revenue	3,582	4,575
Fund balance	<u>635,878</u>	<u>550,409</u>
	\$ <u>892,904</u>	\$ <u>859,125</u>

STATEMENT OF CHANGES IN FUND BALANCE
Year ended June 30

Summary of revenues and expenditures		
Revenues	\$ 677,311	\$ 729,194
Expenditures	<u>524,518</u>	<u>643,307</u>
Excess of revenues over expenditures	152,793	85,887
 Other financing sources and uses		
Transfers in	1,728	
Transfers out	<u>(69,052)</u>	<u> </u>
	(67,324)	
Excess of revenues and other sources over expenditures and other uses	85,469	85,887
Beginning fund balance	<u>550,409</u>	<u>464,522</u>
Ending fund balance	\$ <u>635,878</u>	\$ <u>550,409</u>

STATEMENT OF REVENUES
GENERAL FUND
PAW PAW TOWNSHIP
Year ended June 30

		<u>2008</u>	Variance Favorable (Unfavorable)	
	<u>Budget</u>	<u>Actual</u>		<u>2007</u>
Property taxes	\$ 305,430	\$ 317,357	\$ 11,927	\$ 287,723
Licenses and permits	22,500	21,074	(1,426)	17,293
State shared revenues	254,000	269,206	15,206	300,207
Charges for services	21,100	17,001	(4,099)	21,981
Interest earnings	30,500	51,141	20,641	76,084
Miscellaneous	<u>500</u>	<u>1,532</u>	<u>1,032</u>	<u>25,906</u>
	\$ <u>634,030</u>	\$ <u>677,311</u>	\$ <u>43,281</u>	\$ <u>729,194</u>
Contributions from other funds		\$ <u>1,728</u>	\$ <u>1,728</u>	

STATEMENT OF EXPENDITURES
GENERAL FUND
PAW PAW TOWNSHIP
Year ended June 30

		<u>2008</u>		
	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2007</u>
General government				
Township Board	\$ 141,040	\$ 147,919	\$ (6,879)	\$ 145,184
Supervisor	25,940	25,638	302	22,003
Clerk	51,750	44,790	6,960	41,481
Board of Review	2,120	1,147	973	1,787
Treasurer	38,880	32,956	5,924	39,604
Assessor	37,335	35,750	1,585	40,764
Election	20,700	11,902	8,798	11,997
Building and Grounds	28,500	30,828	(2,328)	12,625
Cemetery	<u>58,870</u>	<u>66,019</u>	<u>(7,149)</u>	<u>58,816</u>
	405,135	396,949	8,186	374,261
Fire Board	650	646	4	538
Roads and streets	240,750	112,008	128,742	240,381
Drains	2,000	583	1,417	
Planning and zoning	<u>24,970</u>	<u>14,332</u>	<u>10,638</u>	<u>28,127</u>
	\$ <u>673,505</u>	\$ <u>524,518</u>	\$ <u>148,987</u>	\$ <u>643,307</u>
Contributions to other funds				
Building	\$ <u>70,000</u>	\$ <u>69,052</u>	\$ <u>948</u>	\$ <u>50,000</u>

BALANCE SHEET
SEWER FUND
PAW PAW TOWNSHIP
June 30

	<u>2008</u>	<u>2007</u>
Assets		
Cash and equivalents	\$ 263,692	\$216,301
Investments	150,000	150,000
Accounts receivable	40,729	30,846
Interest receivable		2,733
Prepaid expenses	<u>1,600</u>	
Total Current Assets	456,021	399,880
Fixed assets		
Sewer system	2,663,455	2,663,455
Machinery and equipment	<u>539,547</u>	<u>539,547</u>
	3,203,002	3,203,002
Allowance for depreciation	(1,575,571)	(1,512,675)
	1,627,431	1,690,327
Special assessments receivable	<u>10,069</u>	<u>35,769</u>
Total Assets	\$ <u>2,093,521</u>	\$ <u>2,125,976</u>
Liabilities and Fund Equity		
Accounts payable	\$ <u>20,117</u>	\$ <u>25,347</u>
Total Current Liabilities	20,117	25,347
Contributions in aid of construction-		
Federal and State grants-net of		
grant funded depreciation	862,077	891,589
Customers	1,529,911	1,534,911
Other funds	<u>150,000</u>	<u>150,000</u>
	2,541,988	2,576,500
Retained earnings (deficit)	<u>(468,584)</u>	<u>(475,871)</u>
Total Fund Equity	<u>2,073,404</u>	<u>2,100,629</u>
Total Liabilities and Fund Equity	\$ <u>2,093,521</u>	\$ <u>2,125,976</u>

STATEMENT OF INCOME AND RETAINED EARNINGS
SEWER FUND
PAW PAW TOWNSHIP
Years ended June 30

	<u>2008</u>	<u>2007</u>
Operating revenues		
Monthly usage charge	\$ 227,512	\$ 207,986
Penalties and other	<u>5,965</u>	<u>7,399</u>
	233,477	215,385
Operating expenses		
Wages and benefits	15,228	14,745
Sewer service charge	127,613	119,266
Professional fees	16,310	3,875
Utilities	6,213	4,997
Repair and maintenance	43,451	62,339
Depreciation	62,896	62,896
Miscellaneous and other	<u>1,433</u>	<u>2,860</u>
	<u>273,144</u>	<u>270,978</u>
Operating income (loss)	<u>(39,667)</u>	<u>(55,593)</u>
Non-operating income		
Interest	<u>17,441</u>	<u>18,454</u>
Net income (loss)	(22,226)	(37,139)
Add back: depreciation on fixed assets acquired by grants not charged to operating expenses	29,513	29,513
Beginning retained earnings (deficit)	(475,871)	(468,245)
Ending retained earnings (deficit)	\$ <u>(468,584)</u>	\$ <u>(475,871)</u>

STATEMENT OF CASH FLOWS
SEWER FUND
PAW PAW TOWNSHIP
Years ended June 30

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 223,594	\$ 211,372
Cash payments to suppliers for goods and services	(200,250)	(184,035)
Cash payments to employees for services	(15,228)	(14,745)
(Increase) Decrease in interest receivable	2,733	17
(Increase) Decrease in due from other funds and prepaid expenses	(1,600)	11,355
Increase (Decrease) in due to other funds	<u> </u>	<u>(2,432)</u>
Net cash provided by operating activities	9,249	21,532
Cash Flows from Capital and Related Financing activities		
Contributed Capital	20,700	13,100
Interest received on Special Assessments Receivable	<u>1,500</u>	<u>3,000</u>
Net cash used for capital and related financing activities	22,200	16,100
Cash Flows from Investing Activities		
(Increase) Decrease in investments		7,139
Interest received on investments	<u>15,942</u>	<u>15,453</u>
Net cash provided by investing activities	<u>15,942</u>	<u>22,592</u>
Increase (Decrease) in cash	47,391	60,224
Cash and equivalent prior year end	<u>216,301</u>	<u>156,077</u>
Cash and equivalent current year end	\$ <u>263,692</u>	\$ <u>216,301</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (39,667)	\$ (55,593)
Adjustments to Reconcile Operating (Income) to Net Cash Provided by Operating Activities:		
Depreciation	62,896	62,896
Changes in assets and liabilities		
(Increase) Decrease in interest receivable	2,733	17
(Increase) Decrease in Due from other funds and prepaid expenses	(1,600)	11,355
(Increase) Decrease in accounts receivable (gross)	(9,883)	(4,013)
Increase (Decrease) in accounts payable (operations)	(5,230)	9,302
Increase (Decrease) in Due to other funds	<u> </u>	<u>(2,432)</u>
Total adjustments	<u>48,916</u>	<u>77,125</u>
Net Cash Provided by Operating Activities	\$ <u>9,249</u>	\$ <u>21,532</u>

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December 3, 2008

Paw Paw Township Board
Paw Paw, Michigan

The audit work necessary to express an opinion on the financial statements of Paw Paw Township included a review of the Township's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Internal Controls

There is not adequate segregation of duties in the accounting function. However, because of lack of personnel, this situation is not unusual in small governmental units.

The above comment is submitted to you to develop good accounting procedures and is not intended to reflect upon the performance of any individual.

Cutting & Cutting, P.C.